Many retirees rely heavily on their Social Security benefits and savings withdrawals for retirement income, yet they face a challenge in balancing each source of funds against the other.

The problem, T. Rowe Price financial planners say, is that retirees should focus on two goals that often compete:
- Obtain the highest Social Security benefits and, if married, the highest benefits for the surviving spouse. This generally entails delaying benefits, ideally to the latest possible age, 70.
- Minimize savings withdrawals in the early years of retirement, particularly before 70. This generally entails taking benefits as early as possible.

“You can’t do both,” says Christine Fahlund, a senior T. Rowe Price financial planner. “So you should be looking for the best compromise for your situation.”

Even for middle-income retirees, the outcomes can vary by hundreds of thousands of dollars. The T. Rowe Price Social Security Benefits Evaluator tool (at troweprice.com/socialsecurity) can help preretirees choose their strategy. Using that tool, a new T. Rowe Price study examined some of the trade-offs involved, which depend on retirees’ marital status.

**Singles**
Unmarried individuals have fewer options than the divorced or married when balancing Social Security versus withdrawals.

Key to understanding all options is that initial Social Security benefits increase for everyone by about 8% (plus inflation) for every year recipients can delay benefits from 62 to 70.

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### Social Security for Singles: Best to Delay Benefits as Long as Possible
**Recommended: Work Full or Part Time to 66 or 70 to Minimize Savings Withdrawals**

This chart shows the financial gains from delaying Social Security benefits from ages 62 to 70—in this case, almost $17,000 a year in additional benefits from 70 on. ($39,457 a year at 70 versus $22,539 a year if benefits are taken at 62.)

It also illustrates how working until 66 or 70 and delaying benefits until then lowers pre-70 savings withdrawals, which can be particularly helpful for sustaining adequate retirement income over the long term.

In this example, the difference in lifetime savings withdrawals between stopping work and taking Social Security at 62 versus continuing to work and delaying benefits until 70 is more than $800,000. (33 years of withdrawals of $50,961 a year starting at 62 versus 25 years of withdrawals of $34,043 a year starting at 70.)

Six strategies are illustrated here. Three for taking savings withdrawals at 62 and Social Security benefits at 62, 66, or 70. Two for taking withdrawals at 66 and Social Security benefits at 66 or 70. One for working until 70 and taking benefits and withdrawals then.

Key assumptions: A single individual born on 12/31/51, who dies at age 95. Current salary: $98,000, requiring $73,500 in wages, withdrawals, or Social Security in retirement to sustain his or her lifestyle (75% of salary). All dollar amounts are in today’s constant dollars.

For each strategy, the chart shows three sources of annual income—Social Security, withdrawals, and wages—both before and after stopping work and retiring, as well as total lifetime withdrawals.

<table>
<thead>
<tr>
<th>Strategies</th>
<th>Total Annual Income</th>
<th>Annual Social Security</th>
<th>Annual Savings Withdrawals</th>
<th>Annual Wages</th>
<th>Years</th>
<th>Total Withdrawals to Age 95</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Withdrawals 62</strong> Social Security 62 Age 62–95</td>
<td>$73,500</td>
<td>$22,539</td>
<td>$50,961</td>
<td>$73,500</td>
<td>33</td>
<td>$1,681,713</td>
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<tr>
<td><strong>Social Security 66</strong> Age 62–65 66–95</td>
<td>$73,500</td>
<td>$29,892</td>
<td>$43,608</td>
<td>$73,500</td>
<td>29</td>
<td>$1,558,632</td>
</tr>
<tr>
<td><strong>Social Security 70</strong> Age 62–69 70–94</td>
<td>$73,500</td>
<td>$39,457</td>
<td>$34,043</td>
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<td>25</td>
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<td>$39,457</td>
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<td>$73,500</td>
<td>$39,457</td>
<td>$34,043</td>
<td>$73,500</td>
<td>25</td>
<td>$851,075</td>
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</table>

Source: Estimated Social Security benefits from the T. Rowe Price Social Security Benefits Evaluator tool, available at troweprice.com/socialsecurity. Additional disclosure at the end of this article.
chart on page 16, benefits can be roughly 75% greater at age 70 than 62.

Also, for a retirement that could last until 95 (the standard planning assumption), stopping work at 62 and taking Social Security at 62—as many do—can mean almost double the savings withdrawals versus working until 70. (See chart page 16.)

As a result, Ms. Fahlund recommends that singles work full or part-time as long as possible—to at least 66, if not 70—so as to delay Social Security benefits and limit savings withdrawals.

"There can be a very heavy price for delaying Social Security in terms of higher early savings withdrawals but, if you can work longer even part time, you may be able to take benefits later and reduce withdrawals before 70," she says. "In the long run, you’d be less likely to run out of savings, and your Social Security benefits would be larger.”

The Divorced

Single individuals divorced after at least 10 years of marriage (and a two-year waiting period) have an additional option if they have not remarried: the “spousal benefit.”

Even if their ex-spouses have remarried, the divorced could delay their own benefits from 66 to 70 by taking the spousal benefit for four years starting at 66. (The divorced can take a lower level of spousal benefits as early as 62, but if they want to later switch to their own higher benefits, they must wait until 66.)

At age 66—Social Security’s current full retirement age (FRA)—the spousal benefit equals one-half of the ex-spouse’s benefit at the ex-spouse’s FRA. Ex-spouses do not yet have to be receiving their own benefits for the spousal benefit to be paid but have to be at least 62. (See the Social Security Administration website, ssa.gov, for details.)

In the chart on this page, the spousal benefit provides a divorced person more than $50,000 in added benefits to know about this benefit—thinking it’s only for married couples,” Ms. Fahlund says. “Both ex-spouses, if single, can simultaneously get this benefit, unlike with married couples who can’t get the spousal benefit at the same time.”

BRIEFLY

The trade-off between taking early Social Security benefits versus pre-70 savings withdrawals varies by marital status:

- Suggested for singles: Work as long as feasible to delay withdrawals and benefits.
- The divorced may be able to delay taking benefits and lower their pre-70 withdrawals using the “spousal benefit.”
- A “split” strategy may provide married couples the same benefits as both waiting until 70 for their benefits but with lower pre-70 withdrawals.

Prior to age 70—and saves the same amount in pre-70 withdrawals.

“Many who are divorced don’t seem

Married Couples

For married couples, there are seemingly endless variations in the trade-offs among initiating Social Security benefits, taking savings withdrawals, taking the spousal benefit, and working longer.

The study looked at three options: both partners taking benefits as early as possible; both waiting as long as possible to maximize benefits; and a “split” strategy that could provide joint lifetime benefits similar to the maximize strategy but with lower early savings withdrawals. (See chart this page.)

Significantly, the split strategy also could provide the same survivor

### Divorced? Don’t Forget About the ‘Spousal Benefit’

Comparison of Single Versus Divorced

<table>
<thead>
<tr>
<th>Source of Income</th>
<th>Single, Retire at 66, Own Social Security at 66</th>
<th>Divorced, Retire at 66, Spousal Benefit at 66, Own Social Security at 70</th>
<th>Differences in Income From Various Sources With Spousal Benefit</th>
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</thead>
<tbody>
<tr>
<td>62–65 Wages</td>
<td>$294,000</td>
<td>$394,000</td>
<td>Same</td>
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<tr>
<td>66–69 Savings Withdrawals</td>
<td>294,000</td>
<td>242,736</td>
<td>-$51,264</td>
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<tr>
<td>70–94 Savings Withdrawals</td>
<td>851,075</td>
<td>851,075</td>
<td>Same</td>
</tr>
<tr>
<td>Social Security Lifetime</td>
<td>984,425</td>
<td>1,037,689</td>
<td>$51,264</td>
</tr>
</tbody>
</table>

Source: Estimated Social Security benefits from the T. Rowe Price Social Security Benefits Evaluator tool, available at troweprice.com/socialsecurity. Additional disclosure at the end of this article.
Married: ‘Split’ Strategy Enables High Lifetime Social Security Benefits
While Reducing Pre-70 Savings Withdrawals

These charts illustrate the annual sources of income for three of the strategies that married couples could use to take their Social Security benefits.

The “split” strategy may provide a way for married couples to reduce their savings withdrawals before 70, while still obtaining roughly the same lifetime Social Security benefits as under the “max” strategy.

The three strategies are:

- **“Early”:** Both spouses—three years apart in age—retire when the higher-earning older one is 62 and the lower-earning younger one is 59. Each begins his or her Social Security at 62. As shown, this enables the lowest savings withdrawals prior to 70 of the three strategies but leads to the lowest lifetime Social Security benefits, the highest lifetime withdrawals, and the lowest survivor benefit.

- **“Split”:** The lower-earning spouse takes Social Security at 62. The higher earner takes spousal benefits at 66 and then his or her benefits at 70. This increases lifetime Social Security benefits by more than $340,000 over the “early” strategy, reduces lifetime withdrawals by the same amount, and increases the survivor benefit to the same level as under the “max” strategy.

- **“Max”:** Both spouses wait until each is 70 to take their own Social Security benefits. The lower earner takes spousal benefits at age 66. This strategy yields roughly the same Social Security benefits as the “split” strategy, but its pre-70 withdrawals are about $130,000 more.

Assumptions: A married couple, three years apart in age. The higher earner was born 12/31/51 and earns $98,000; the lower earner was born 12/31/54 and earns $68,000. (All ages in the charts are for the older spouse unless noted as the survivor’s.)

They plan to replace 75% of their preretirement income, which would be $124,500 a year. All dollar amounts are in today’s constant dollars. Older spouse dies at 83; younger one at 95—thus retirement period covers 36 years. Surviving spouse also needs $124,500 a year.

| Source: Estimated Social Security benefits from the T. Rowe Price Social Security Benefits Evaluator tool, available at troweprice.com/socialsecurity. Additional disclosure at the end of this article. |